

Message Text

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TO SECSTATE WASHDC 1204
USDOC WASHDC
INFO AMEMBASSY BELGRADE

C O N F I D E N T I A L SECTION 1 OF 2 MOSCOW 12139

USDOC FOR BEWT

E.O. 11652: XGDS-4
TAGS: EEWT, BGEN, ENRG
SUBJECT: VIEW OF A SOVIET ECONOMIST ON TRENDS IN SOVIET ECONOMIC LIFE

SUMMARY: DEPUTY DIRECTOR SHERSHNEV OF USA/CANADA INSTITUTE PROVIDED COMMENTS ON A NUMBER OF ASPECTS OF SOVIET ECONOMIC LIFE DURING RECEPTION AT SPASO HOUSE AUGUST 17. OF PARTICULAR INTEREST WERE HIS COMMENTS ON OIL, PRICES, FOREIGN TRADE REFORM, FOOD SHORTAGES IN OUTLYING AREAS, THE SMALL AGRICULTURAL PLOT, AND AUTOMOBILE SALES AND DISTRIBUTION. AT THE OUTSET OF THE TITO VISIT, SHERSHNEV ALSO NAMED CLEAR THAT HE IS NO ADMIRER OF YUGOSLAVIA. HE DOES NOT WASTE HIM TIME LISTENING TO THE NIGHTLY TELEVISION "NEWS" SHOW. END SUMMARY.

1. AT AMBASSADOR'S AUGUST 17 RECEPTION IN HONOR OF OPENING OF "PHOTOGRAPHY USA" EXHIBIT IN MOSCOW, E/C COUNSELOR HAD OPPORTUNITY FOR CONVERSATION WITH YEVGENIY SHERSHNEV, DEPUTY DIRECTOR OF USA/CANADA INSTITUTE, OVER A WIDE RANGE
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OF SUBJECTS. IN VIEW OF FACT THAT SHERSHNEV IS COMPETENT AND WELL-INFORMED ECONOMIST, FORMER COMMERCIAL COUNSELOR IN SOVIET EMBASSY WASHINGTON AND FREQUENT VISITOR TO US, HIGHLIGHTS OF DISCUSSION ARE REPORTED BELOW.

2. OIL AND ENERGY: IN LIGHT OF STATE 187197, SHERSHNEV WAS ASKED AGAIN FOR HIS VIEWS ON POSSIBLE OIL SHORTAGE

AND RELATED TURNDOWN IN SOVIET GNP AND FOREIGN TRADE AFTER 1980. SHERSHNEV BELITTLED THE POSSIBILITY. HE STRESSED HIS OWN OBSERVATIONS ON A TRIP TO TYUMEN OBLAST, WHERE THERE APPEARED TO BE SUBSTANTIAL AMOUNT OF OIL JUST WAITING TO BE DEVELOPED. SHERSHNEV ARGUED PROBLEM HAS BEEN THAT IT HAS NOT YET BEEN POSSIBLE TO FOLLOW UP WITH DRILLING ACTIVITY THE MANY INDICATIONS OF THE PRESENCE OF OIL. AT THE SAME TIME, HE CONCEDED IT WOULD BE A PRUDENT POLICY AT PRESENT FOR THE SOVIET UNION TO BE BUYING AS WELL AS SELLING OIL AT THE PRESENT TIME. (IN AN EARLIER DISCUSSION SHERSHNEV LAMENTED THE LACK OF NECESSARY INFRASTRUCTURE TO IMPORT MIDDLE EASTERN OIL TO SOUTHERN PART OF USSR.) HE WAS NOT CONCERNED ABOUT THE POSSIBILITY OF A DOWNTURN IN THE SOVIET ECONOMY DUE TO THIS AND OTHER FACTORS - "I AM NOT A PESSIMIST."

3. REFORM OF FOREIGN TRADE: SHERSHNEV SAID THAT "POLITICAL OBSTACLES" HAVE BEEN RAISED TO THE MUCH DISCUSSED PROPOSALS FOR LIBERALIZATION OF THE ADMINISTRATION OF FOREIGN TRADE WHILE HE DID NOT EXPLAIN THIS COMMENT, HE IMPLIED THAT HIGH LEVEL RESISTANCE TO GREATER DECENTRALIZATION STEMMED FROM THE RISK OF LOSS OF CONTROL. SHERSHNEV SAID THAT A GREATER DIRECT ROLE FOR END USERS WAS OF COURSE DESIRABLE ON ECONOMIC TERMS. HE DEFINED THE ROLE OF THE STATE COMMITTEE ON SCIENCE AND TECHNOLOGY (SCST) AS THAT OF A "SECOND MINISTRY OF FOREIGN TRADE," BUT COMPARED THE QUALITY

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OF SCST LEADERSHIP FAVORABLY TO THAT OF THE MFT.

4. US-SOVIET TRADE RELATIONS: RECENTLY SOME OF HIS SOVIET ASSOCIATES HAVE BEEN DOWNGRADING THE IMPORTANCE OF US-SOVIET ECONOMIC RELATIONS. THEY HAVE BEEN SAYING, IN EFFECT, THAT POLITICAL ISSUES ARE CRUCIAL AND CAN BE HANDLED APART, SINCE THE USSR IS NOT REALLY DEPENDENT ON ANY COMMERCIAL TIES TO THE UNITED STATES. HE DISAGREES WITH THIS ASSESSMENT ON THE CONVENTIONAL GROUNDS THAT STRENGTHENED BUSINESS AND ECONOMIC RELATIONS CAN HELP TO DEVELOP A MORE SOLID UNDERPINNING FOR THE BILATERAL RELATIONSHIP. WITH REGARD TO PROSPECTS FOR CHANGE IN US TRADE LEGISLATION, COUNSELOR ASKED IF SHERSHNEV FORESAW ANY INCREASE IN SOVIET EMIGRATION FIGURES; HE RESPONDED THAT IN THE PRESENT SITUATION, EACH PARTY APPEARS TO BE WAITING FOR THE OTHER TO TAKE SOME ACTION WHICH EACH REALIZES WOULD BE IN THE INTEREST OF BOTH. ASKED IF HE SHARED THE GLOOMY VIEW OF THE US ECONOMY EXPRESSED IN A HIGHLY NEGATIVE PRAVDA ARTICLE OF AUGUST 16 BY YURIY BOBRAKOV, THE HEAD OF THE USA INSTITUTE'S ECONOMIC SECTION, SHERSHNEV SAID (INACCURATELY) THAT BOBRAKOV HAD BEEN CAREFUL TO ATTRIBUTE EVERY DOLEFUL REMARK IN THE ARTICLE TO SOME AMERICAN SOURCE, SUCH AS

THE NEW YORK TIMES.

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5. FOOD SUPPLIES: SHERSHNEV COMMENTED WITH A SMILE THAT HE WAS PRESENTLY ON VACATION AT HIS DACHA, DOING HIS BIT FOR SOVIET AGRICULTURE. IN RESPONSE TO A DIRECT QUESTION, HE SAID THAT THERE WOULD BE SOON SOMETHING (APPARENTLY A NEW DECREE) ANNOUNCED GIVING FURTHER ENCOURAGEMENT TO THE USE OF SMALL PRIVATE PLOTS TO PRODUCE FOOD. WHILE DISCUSSING THE FACT THAT SOVIET CITIZEN IS TODAY OBVIOUSLY BETTER CLOTHED THAN HERETOFORE, SHERSHNEV VOLUNTEERED THAT THERE IS A FOOD PROBLEM IN AREAS OUTSIDE SUCH CENTERS AS MOSCOW, LENINGRAD AND KIEV. IT WAS TRUE THAT MEAT WAS SIMPLY NOT TO BE FOUND IN SOME AREAS HE HAD VISITED. YET WHEN HE HAD BEEN INVITED TO DINNER IN THOSE AREAS, HIS HOSTS HAD NEVERTHELESS PUT MEAT ON THE TABLE. FROM THIS SHERSHNEV CONCLUDED THAT THE SEEMING INAVAILABILITY OF MEAT IN THE GOVERNMENT STORES BELIED THE FACT THAT MEAT COULD BE OBTAINED ELSEWHERE. COUNSELOR COMMENTED THAT SHERSHNEV'S OBSERVATION OF MEAT ON THE TABLE DID NOT PRECLUDE EXISTENCE OF SCARCITY, WITH HOST'S BUYING ON GRAY OR BLACK MARKETS FOR HONORED GUESTS.

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YM PRICES: SHERSHNEV OBSERVED THAT IN US SOCIETY THE DOLLAR WAS ACCEPTED AS THE DENOMINATOR OF VALUE AND RELATIVE SCARCITY. IN THE SOVIET UNION THE RUBLE DID NOT ENJOY THE SAME ROLE. FOR EXAMPLE, HE HAD A HIGHER SALARY THAN MINISTER OF FOREIGN TRADE PATOLICHEV, BUT THE LATTER ENJOYED A WIDE RANGE OF PERQUISITES OF HIS OFFICE WHICH HAD A FAR GREATER VALUE THAN SHERSHNEV'S WAGES. MOREOVER, ONE COULD NOT BE CONFIDENT ABOUT WHETHER AN INDIVIDUAL'S RUBLES HAD BEEN ACQUIRED BY EXCHANGE OF WORK VALUE. PERSONS LIVING IN THE CRIMEA OR THE CAUCAUSES COULD OBTAIN RUBLES SIMPLY BY TAKING ADVANTAGE DURING TOURIST SEASON OF THE ACCIDENT THAT THEY ENJOYED FAVORABLE GROUND. SHERSHNEV CONCEDED THAT AN INDIVIDUAL OF SINGULAR MERIT MIGHT DESERVE HIGHER PAYMENT FOR HIS ACHIEVEMENTS, BUT IT COULD NOT BE SAID THAT MOST RUBLE FORTUNES IN THE USSR HAD BEEN ACQUIRED IN THIS WAY. FOR THIS REASON IT WAS MORE EQUITABLE TO RATION SCARCE GOODS, SUCH AS NEW AUTOMOBILES, THROUGH FACTORIES OR ORGANIZATIONS. PREVIOUSLY ONE HAD BEEN ABLE TO GET ON THE AUTOMOBILE PURCHASE WAITING LIST MERELY BY DEPOSITING A GIVEN QUANTITY OF RUBLES. (THE INFERENCE TO BE DRAWN FROM THIS WAS THAT THE RUBLE IS NOT A TRUSTWORTHY MEANS OF EXCHANGE IN VIEW OF THE IMBALANCE BETWEEN GOODS AND MONEY AND THE SUSPICION THAT THE LATTER MAY BE ACQUIRED BY MEANS INCOMPATIBLE WITH THE LABOR THEORY OF VALUE.) SHERSHNEV SAID THAT HIS INCOME PUTS HIM IN THE HIGHER TAX BRACKET - HE PAY 17 PERCENT ON AN INCREMENTAL RUBLE- BUT THE TAX IS DEDUCTED AUTOMATICALLY, AND HE NEED NEVER FILE A TAX RETURN.

7. AUTOMOBILES: SHERSHNEV SAID THAT THERE HAS BEEN AN ATTITUDINAL CHANGE IN THE USSR CONCERNING THE AUTOMOBILE. WHEN HE ACQUIRED HIS FIRST CAR, THIRTY YEARS EARLIER, HIS CONFIDENTIAL

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FATHER HAD ARGUED THAT IT WAS A WASTEFUL LUXURY IN VIEW OF THE EXISTENCE OF BUSES AND SUBWAYS. TODAY HIS OWN SONS ASK ONLY HOW THEY WILL ACQUIRE A CAR, NOT WHETHER IT IS NECESSARY. BUT THE SOVIET UNION IS NOT READY FOR A MASS INFLUX OF AUTOMOBILES, SINCE IN PRACTICAL TERMS ONLY A FEW MAJOR CITIES HAVE THE INFRASTRUCTURE TO MAKE THE USE OF CARS RATIONAL. HENCE THE ANNUAL OUTPUT OF SOVIET CARS ARE GOING TO THE LARGEST CITIES, INCLUDING MOSCOW, WITH THE RESULT THAT ENORMOUS TRAFFIC PROBLEMS ARE ALREADY BEGINNING TO OCCUR.

8. YUGOSLAVIA: WHILE DISCUSSING TITO VISIT, SHERSHNEV REMARKED THAT UNITED NATIONS DID NOT INCLUDE YUGOSLAVIA

AMONG "SOCIALIST" COUNTRIES BUT, AT ITS OWN REQUEST, AMONG DEVELOPING COUNTRIES. COUNSELOR REMARKED THAT YUGOSLAVIA PERHAPS FELT IT COULD EXERT MORE INFLUENCE IN LATTER GROUP AND, BY DOING SO, MAKE A MORE SIGNIFICANT IMPRESSION ON THE USSR AND ITS ASSOCIATES. SHERSHNEV RESPONDED THAT HE COULD NOT SPEAK FOR THE SOVIET UNION, BUT AS FOR HIM YUGOSLAVIA DID NOT MAKE MUCH OF AN IMPRESSION AT ALL.

9. VREMYA: THE COUNSELOR HAVING MENTIONED WATCHING THE NIGHTLY 9 P.M. TELEVISION NEWS PROGRAM VREMYA, SHERSHNEV SNORTED AND SAID THAT HE WOULD NEVER WASTE HIS TIME LOOKING AT THAT PROGRAM.

10. PERSONAL PLANS: SHERSHNEV PLANS TO VISIT THE US, AT LEAST WASHINGTON AND NEW YORK, IN NOVEMBER IN ORDER TO BUY BOOKS FOR THE USA INSTITUTE. HE COULD NOT SAY WHEHTER HE WOULD ATTEND THE LOS ANGELES SESSION OF THE TRADE AND ECONOMIC COUNCIL AT THAT TIME. ASKED IF HIS CHIEF, GYORGIY A. ARBATOV, MIGHT BE ATTENDING THE MEETING, SHERSHNEV REMARKED THAT HE WOULD NOT, FOR HE (ARBATOV) HAD NO INTEREST IN THOSE MATTERS. (THIS IS SURPRISING, SINCE WE WERE TOLD BY BENDIX CORPORATION OFFICIAL THAT THE CELEBRATED SPARK PLUG COMMERCIAL

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TRANSACTION HAD BEEN PUSHED IN THE OUTSET BY ARBATOV HIMSELF.) SHERSHNEV SAID THAT THE INSTITUTE'S RELATIONSHIP WITH US BOOK PUBLISHERS WAS NONE TOO GOOD, SINCE IT HAD NOT MADE GOOD ON EARLIER COMMITMENTS TO PRODUCE BOOKS FOR PUBLICATION.

11. COMMENT: WHILE SHERSHNEV IS A GENERALIST WHOSE ASSESSMENT OF SITUATION IN ANY GIVEN AREA (E.G., OIL) MAY NOT BE ACCURATE, HE IS INTELLIGENT, OBJECTIVE BY SOVIET STANDARDS AND IN A POSITION TO KEEP HIMSELF WELL INFORMED ON THE MAJOR ISSUES. WHILE HIS OBSERVATIONS WILL HARDLY BE SURPRISING TO WASHINGTON AGENCIES, WE PASS THEM ALONG FOR THE VIEWS OF A FAIRLY SENIOR SOVIET FUNCTIONARY WHO WAS SPEAKING IN AN ENVIRONMENT WHERE HE COULD FEEL REASONABLY SECURE THAT HIS REMARKS WOULD NOT BE MONITORED BY HIS OWN AUTHORITIES.

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Message Attributes

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Subject: VIEW OF A SOVIET ECONOMIST ON TRENDS IN SOVIET ECONOMIC LIFE SUMMARY: DEPUTY DIRECTOR SHERSHNEV OF USA/CANADA INSTITUTE PROVIDED COMMENTS ON A NUMBER OF ASPECTS OF SOVIET
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